

**California Bar Intellectual Property (IP) Section
Patent Standing Committee**

Minutes of Teleconference Meeting of March 24, 2004

In attendance were:

Dabney Eastham
Hank Sartorio
Ben Borson
Tom Ward
Charles Berkman
Paul Kovelman
Sivon Kalminov
Patric Rawlins
Bernie Rose
Mike Sumachi
Rick Johnson
Mavis Gallenson
Carol Langford

I. Call To Order/Approval Of Previous Meeting Minutes

Dabney Eastham called the meeting to order, and the meeting minutes from the January 28, 2004 were approved.

II. Discussion of Proposed PTO Rules of Professional Conduct (Borson/Langford)

Ben Borson began the discussion, indicating that an extension of time to June 11, 2004 was granted for comments to the proposed rules.

Ben indicated he has formed a committee to provide comments on the rules, and a conference call of the committee members was conducted to assign responsibility for comments. Responsibility for the different sections was assigned as follows:

Section B: Tom Ward and Chuck Jew
Section C: Ben Borson and Jon O'Banion
Section D: Paul Kovelman

Ben requested that additional volunteers help with reviewing the rules.

Ben indicated that comments were to be provided going beyond a Yes/No type questionnaire originally planned. The comments filed by different committees are to be placed in files as legislative history after the rules are set. Ben expected that the rule making process will continue for some time due to the amount of rules changed. Ben stated that comments from

the IP Standing Committee would be allowable by the Cal. State Bar by containing a disclaimer that the comments don't reflect the opinion of the Bar as a whole. Paul Kovelman indicated he had translated the rules into word, and indicated he would distribute the word document.

Carol Langford stated that the Professional Responsibility Section of the ABA would provide comments on the rules, and were expecting to complete comments by April 19th. Carol indicated that the ABA already had sent documents to the PTO, and was able to get an extension till June 11, 2004 for comments due to the large number of rule changes.

III. *Kairos Scientific v. Fish & Richardson* malpractice case (Gallenson/Ward)

Tom Ward provided a review of the status of the Kairos Scientific case. The status report was based on news articles reporting a tentative judgment for \$30 million against Fish & Richardson, as well as a phone call to the Superior Court in San Mateo where the case is currently pending. The case resulted from Fish & Richardson failing to file a PCT case before the one year deadline because a clerk deleted the deadline from the firm's docketing system. Kairos presented testimony from industry executives that they would have paid significant royalties for rights in Europe, resulting in the tentative judgment. The judge had issued a 75 page judgment in August of 2003 awarding the \$30 million. Additional briefing occurred in October 2003, testimony was submitted on March 10, 2004, and oral argument was scheduled for April 5, 2004. A policy limits demand was rumored to have been made by Kairos, potentially making the insurance company liable for the entire \$30 million.

Mavis mentioned that the Kairos case as well as others were resulting in a significant malpractice insurance premium increase and a lowering of the coverage cap, strictly directed toward IP specialists. She mentioned that support to provide reasonable malpractice insurance might come from the Cal State Bar. As an example, she mentioned in one state obgyns as a group had refused to deliver children until the state stepped in to reduce premiums. Mavis mentioned that Bec Edelson and others were due to report on the malpractice insurance dilemma for IP attorneys at the next Executive Committee meeting.

IV. PTO Fee Diversion Bill Status (Reported by Eastham)

Dabney reported on the current house bill HR 1561 drafted to preventing fee diversion, as well as including other provisions such as establishing private searching, and a modified fee structure. Dabney reported that the bill had passed the House. For fee diversion, the bill sets up a Reserve Fund in its section 5. Fees collected above what the PTO uses goes into the Reserve Fund and gets refunded. The bill went to the Senate on March 4, 2004.

(Current update: HR 1561 was passed out of the Senate Committee on the Judiciary without amendment or report and has been on the Senate legislative calendar since April 29.)

V. Cooperative Research and Technology Enhancement Status (CREATE) Bill Status (Reported by Rose)

Bernie reported that a bill was pending to correct Section 102(f) art that can be used in a 35 U.S.C. § 103 rejection. The bill resulted from the Oddzon Products v. Just Toys case where the inventor had received confidential designs from a 3rd party. The Fed. Cir. Looked at Section 103(c), since Congress had amended Section 103 relating to 102(e) art, but indicated 102(f) art was not specifically included. The result was disastrous for cooperative research collaborations. The resulting CREATE bill passed the house on March 10, 2003. The bill was written to prevent rejections under Section 103 based on 102(f) with the following: (a) joint research agreements, with (b) the invention made in the scope of the agreement, and (c) with all parties named as inventors. The bill was not made retroactive.

(Current Update: HR 2391 (CREATE) is still in the Senate Committee on the Judiciary.)

VI. Other Scheduled Items

Due to limited time, Ben Borson emailed case notes relating to the cases Turn-Key Tech, University of Rochester v. G.D. Searle, and Medicuem v. Rolado

VII. Future Patent Standing Committee Meeting

The next meeting was proposed to be in June. (The teleconference meeting is now scheduled for Friday, June 4, 2004.)

Thomas A. Ward
Secretary, Patent Standing Committee